NOVA SCOTIA

Province of Nova Scotia
Honourable William Gillis
Minister of Finance
September 18, 1997

1997-98 Quarterly Report
First Quarter Update
June 30, 1997

Highlights

- A budgetary surplus of $1 million is currently forecast for the 1997-98 fiscal year.
- Net debt servicing costs are being reduced by $37.2 million from the Budget estimate mainly as a result of better than expected foreign exchange and interest rates.
- Forecast revenues remain at the Budget estimate of $4.241 billion. Early indications are that consumption tax revenues (HST, tobacco and fuel) are on target with the Budget estimate. Personal and corporate income taxes as well as Federal transfers will be updated in the next Quarterly Report, reflecting revised fiscal and economic data expected to be available at that time.
- Net program expenditures are forecast to be $40 million higher than estimated, primarily as a result of additional funding for Health. Savings in some departments, as well as in debt servicing costs, have enabled an additional $60 million to be allocated to health care this year.
- To date the economies of Canada and Nova Scotia are performing better than expected. The Budget outlook for Real Domestic Product of 2.1 per cent will be achieved, and perhaps slightly exceeded.
- Employment is up for the first six months of 1997 by 0.9 per cent over the same period in 1996, on target to meet the budgeted employment outlook of 390,000.

Fiscal Summary ($ 000's)	**1997-98 Budget**	**1997-98 Forecast**	**Favourable/ (Unfavourable) Change from Budget**
Revenue	**$4,240,674**	**$4,240,674**	--
Net Program Expenditures*	3,477,912	3,517,927	(40,015)
Restructuring Costs	31,510	31,510	--
Net Debt Servicing Costs	727,280	690,100	37,180
Total Expenditures	**4,236,702**	**4,239,537**	**(2,835)**

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Budgetary Surplus	**$3,972**	**$1,137**	**$(2,835)**

*Net Program expenditures include both current and capital expenditures.

Summary of Revenue

For the Year to End March 31, 1998
(000's)

	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue			--
Personal Income Taxes	939,079	939,079	
Corporate Income Taxes	113,044	113,044	--
Harmonized Sales Tax	668,879	668,879	--
Motive Fuel Taxes	199,500	199,500	--
NS Liquor Commission	116,693	116,693	--
NS Gaming Corporation	143,024	143,024	--
Other Revenues	351,279	351,279	--
Total Provincial Revenue	**2,531,498**	**2,531,498**	**--**
Federal Revenue			
Equalization	1,149,788	1,149,788	--
CHST	437,771	437,771	--
Other Federal	3,017	3,017	--
Federal Compensation for Harmonization	118,600	118,600	--
Total Federal Revenue	**1,709,176**	**1,709,176**	**--**
Prior Years' Adjustments	**--**	**--**	**--**
Total Revenue	**4,240,674**	**4,240,674**	**--**

Provincial Revenue

To date, Budget estimates of corporate and personal income taxes have not been updated. Revisions are anticipated in the next Quarterly report concurrent with the release of corporate and personal income tax data from Revenue Canada.

Early indications suggest consumption taxes, including Harmonized sales tax, tobacco tax and motive fuel taxes are on target to reach Budget estimate levels. Other provincial revenue sources are not changing at this time.

Federal Revenue

Revenue from federal transfer programs including Equalization and CHST will be updated in the next Quarterly Report, subsequent to the release of new fiscal and economic data.

Summary of Net Program Expenditures

For the Year to End March 31, 1998

Department (000's)	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change From Budget
Agriculture & Marketing	$32,102	$31,942	$160
Business & Consumer Services	38,063	34,873	3,190
Community Services	548,245	551,945	(3,700)
Economic Development & Tourism	72,863	72,499	364
Education & Culture/Universities	954,743	954,743	--
Environment	18,053	17,963	90
Finance	9,666	9,618	48
Fisheries & Aquaculture	6,144	6,113	31
Health	1, 286,097	1,346,097	(60,000)
Housing & Municipal Affairs	103,263	103,263	--
Human Resources	4,032	4,032	--
Justice	75,257	74,881	376
Labour	10,838	10,784	54
Natural Resources	57,299	57,299	--
Public Service	47,406	48,134	(728)
Transportation & Public Works	255,841	255,841	--
Unallocated Recoveries	(42,000)	(42,000)	--
Changes in Prior Years' Estimates	--	(20,100)	20,100
	$3,477,912	**3,517,927**	**(40,015)**
Comprised of:			
Current	$3,305,270	$3,348,385	($43,115)
Capital	$172,642	$169,542	3,100

Net Program Expenditures

The reduction in debt servicing costs, as well as changes to prior years' estimates and a reduction in many departmental budgets, has allowed the Government to redirect money into health care. As a result, net program expenditures are now forecast to be $40 million more than estimated in the Budget.

These funds allow the Government to satisfy commitments made in the recent agreement with the Province's physicians and to satisfy other demands in the acute care sector.

Debt Management Summary

Debt Refinancing Program
The Province launched one term debt issue during the first quarter of the year. This was a $30 million issue completed in the Canadian domestic medium-term note market. The forecasted refinancing program of the Province remains at $636.4 million, subject to the possible early call of outstanding debt issues.

Net Debt Servicing Costs
Net debt servicing cost is forecast to be $37.2 million lower than budgeted. The reduction is a result of favourable market conditions including lower than expected interest and foreign exchange rates in the first quarter ($5.4 million up to August 11), the expectation that these conditions will continue to be favourable compared to budget assumptions for the following three quarters ($16.3 million), revisions to modelling assumptions such as the borrowing program ($5.9 million), and the current expectation that NSRL will continue to record its own debt servicing costs ($9.6 million).

Economic Developments
(January-June 1997)

The economies of both Canada and Nova Scotia are performing more robustly than expected. Data for the first six months of 1997 reveal a continuing momentum carried over from the end of 1996. The outlook of 2.1 per cent for Nova Scotia's RDP contained in the Budget will be achieved, perhaps exceeded slightly for 1997. This is an improvement over the 1996 performance of 0.8 per cent.

The Canadian economy continues to show signs of averaging real growth above 3 per cent in 1997 comparing favourably with 1.5 per cent in 1996. The improvement for Canada and Nova Scotia stems from a number of areas including low interest rates, stronger consumer confidence, an easing of public sector restraint and continued weakness in the exchange rate for the Canadian dollar in US currency.

For the first six months of 1997 employment has increased 0.9 per cent over the same period in 1996. This is on target to meet the Budget outlook for employment of 390,000. In June, the unemployment rate dropped to 12.3 per cent, averaging 13 per cent so far this year. This is on target to meet the Budget estimate of 12.9 per cent.

Retail trade shows an increase of 4.3 per cent over the same period last year. This is quite strong considering 1996 growth was a surprising 7.8 per cent. Department store sales are also up 7.4 per cent over the same period.

Stats Can's revised private and public investment intentions for 1997 indicate investment spending will be up 21.9 per cent which will give support to the Budget's RDP forecast.

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NOVA SCOTIA

PROVINCE OF NOVA SCOTIA
HONOURABLE WILLIAM GILLIS
Minister of Finance
Released December 12, 1997

1997-98 QUARTERLY REPORT
SECOND QUARTER UPDATE
September 30, 1997

HIGHLIGHTS

The Nova Scotia economy is on track to achieve the economic growth forecast at budget time in the spring. As a result of revised data available from the federal government, total provincial revenues are being adjusted upward, allowing the government to address the need for more funding in health care and other social needs without affecting the balanced budget.

- Provincial own source revenues are now forecast to come in at $7.3 million lower than the budget estimate. Federal source revenues are expected to be $2.5 million higher for the budget year. A positive Prior Years' Adjustment of $35.8 million has resulted from updated federal data. The overall result is a total increase in revenue of $31.0 million.
- Lower than estimated interest rates are helping to reduce expenses. The recent rise in short-term rates was expected and budgeted for. Long term rates continue to be below budget expectations. As a consequence, Net Debt Servicing Costs are being now expected to come in $50.5 million below budget estimate.
- Some departments and agencies have been able to reduce costs or defer expenses for a saving of $27.0 million. The total favourable decreases in expenditures and increases in revenues since the budget amount to $108.5 million.
- These favourable developments have allowed the Government to make a significant improvement in the health care budget. Spending in this area is now $89.1 million more than originally budgeted. Increases have also been granted to several other departments. These changes represent increases in program spending of $111.0 million.
- The difference between the favourable and unfavourable changes since the budget results in a 1997-98 budget surplus forecast of $1.5 million.

FISCAL SUMMARY ($ thousands)	**1997-98 Budget**	**1997-98 Forecast**	Favourable/ (Unfavourable) **Change from Budget**
Revenue	**4,240,674**	**4,271,722**	**31,048**
Net Program Expenditures *	3,477,912	3,561,872	
Restructuring Costs	31,510	31,510	---
Net Debt Servicing Costs	727,280	676,785	50,495
Total Expenditures	**4,236,702**	**4,270,167**	
Budgetary Surplus (Deficit)	**3,972**	**1,555**	

* Net Program Expenditures include both Current and Capital Account Expenditures

SUMMARY of REVENUE
for the Fiscal Year Ending March 31, 1998
($ thousands)

	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	939,079	921,300	(17,779)
Corporate Income Taxes	113,044	125,361	12,317
Harmonized Sales Tax	668,879	668,879	—
Motive Fuel Taxes	199,500	203,000	3,500
NS Liquor Commission	116,693	116,693	—
NS Gaming Corporation	143,024	143,749	725
Other Provincial Revenues	351,279	345,229	(6,050)
Total - Provincial Revenue	**2,531,498**	**2,524,211**	(7,287)
Federal Revenue Sources			
Equalization	1,149,788	1,143,279	(6,509)
CHST	437,771	446,807	9,036
Federal Compensation for Harmonization	118,600	118,600	—
Other Federal Sources	3,017	3,017	—
Total - Federal Revenue	**1,709,176**	**1,711,703**	**2,527**
Prior Years' Adjustments	**—**	**35,808**	**35,808**
Total Revenue	**4,240,674**	**4,271,722**	**31,048**

Provincial Revenue

Based on revised income tax data from the federal government, corporate income tax revenues are now expected to be $12.3 million higher than estimated at budget time; however, personal income tax revenues are anticipated to come in $17.8 million below the budget estimate. The fixed rate motive fuel taxes revenues are expected to be $3.5 million higher than the budget estimate due to increased consumption. Other provincial own source revenues, including interest income and the corporation capital tax on financial institutions have been adjusted downward by $6.0 million. Overall, own source revenues are expected to be $7.3 million lower than budget estimate.

Federal Revenue

Updated federal data has resulted in a reduction in Equalization of $6.5 million. There has also been an increase in CHST of $9.0 million as a result of new data and the national floor for this program increasing to $12.5 billion.

Prior Years' Adjustments

The latest federal data have created a positive Prior Years' Adjustment of $35.8 million. This is a combination of a decline in provincial own source revenues and an increase in prior years' federal transfers.

SUMMARY of NET PROGRAM EXPENDITURES
for the Fiscal Year Ending March 31, 1998
($ thousands)

	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	32,102	32,731	(629)
Business and Consumer Services	38,063	34,873	3,190
Community Services	548,245	555,795	(7,550)
Economic Development and Tourism	72,863	74,354	(1,491)
Education and Culture/Universities	954,743	957,443	(2,700)
Environment	18,053	17,458	595
Finance	9,666	9,618	48
Fisheries	6,144	6,114	30
Health	1,286,097	1,375,165	(89,068)
Housing and Municipal Affairs	103,263	96,673	6,590
Human Resources	4,032	4,032	—
Justice	75,257	74,881	376
Labour	10,838	10,784	54
Natural Resources	57,299	60,334	(3,035)
Public Service	47,406	49,625	(2,219)
Transportation and Public Works	255,841	260,131	(4,290)
Unallocated Recoveries	(32,000)	(43,139)	1,139
Changes in Prior Years' Estimates	—	(15,000)	15,000
Total - Net Program Expenditures	**3,477,912**	**3,561,872**	(83,960)
Comprised of: Current Account	3,305,270	3,399,694	(94,424)
Capital Account	172,642	162,178	10,464

Net Program Expenditures

In the months following the introduction of the budget, the government has responded to requirements for increased program spending in a number of areas within the context of a balanced budget. The area receiving the most significant increase in funding is health care. The Department of Health is now forecasting a total of $89.1 million in additional spending on payments to doctors, hospitals, pharmacare assistance to senior citizens, long term care and emergency health.

Additional funding has also been allocated to the Department of Community Services to meet demands on income assistance and family and children's services, and to the Department of Natural Resources to support the Sable Gas regulatory process. The expected costs of the Westray prosecution are shown in the extra funding allocated to the Public Prosecution Service under Public Service.

DEBT MANAGEMENT SUMMARY

Debt Refinancing Program

The Province launched three term debt issues during the second quarter of the year. Two issues, totaling $55.0 million, were completed in the Canadian domestic mid-term note market. Another $100.0 million issue was completed by a Canadian private placement. The forecasted refinancing program of the Province has been adjusted to $1.2 billion from the original $636.0 million. The primary reason for the increase in the borrowing program has been the decision to refinance three term debt issues totaling approximately $420.0 million.

Net Debt Servicing Costs

Net Debt Servicing Costs are forecast to be $50.5 million lower than budgeted. This reduction is a result of favorable market conditions including lower than expected interest and foreign exchange rates in the first and second quarters ($15.4 million), the expectation that these conditions will continue to be favorable compared to budget assumptions for the following two quarters ($25.3 million), revisions to the modeling assumptions such as the borrowing program ($0.2 million), and the current expectation that NSRL will continue to record its own debt servicing costs ($9.6 million).

ECONOMIC DEVELOPMENTS

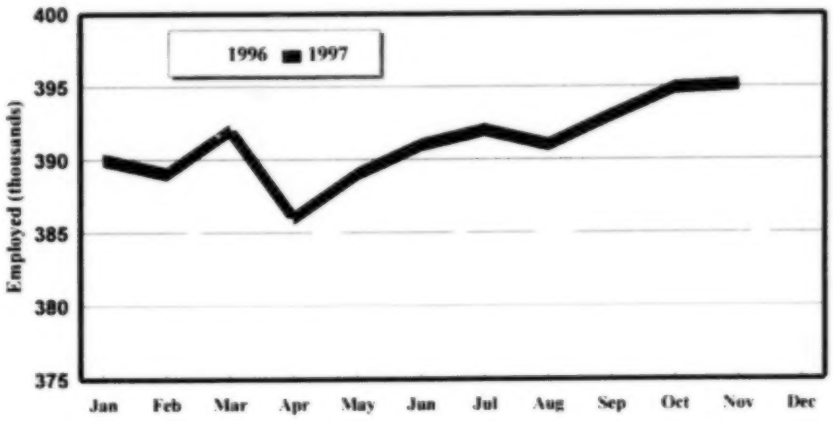
(January - November 1997)

The Nova Scotia economy is on track to achieve the 1997-98 Budget's forecast of 2.1% RDP growth in 1997. The outlook remains positive in an environment of low interest rates, improving consumer confidence and an export-favourable Canada/US dollar exchange rate. The Sable Offshore Energy Project, given the Joint Review Panel's recent approval, provides additional impetus to the province's growth rate over the short term, as offshore natural gas development proceeds in 1998.

Gains in employment and in retail sales highlight strengthening economic performance this year. Capital investment is the most robust in several years, although international export trade has turned sluggish.

For the first eleven months of 1997, employment has increased 1.4% over the same period in 1996. The budget outlook for employment of 390,000 will be met with employment now averaging a record 391,000 for the year. The current rate of growth is significant as growth in 1996 was only 0.3%. In November the unemployment rate was 11.5%, averaging 12.4% for the year. This is lower than the budget estimate of 12.9%.

Employment by Month - Nova Scotia



Growth in retail trade continues to be positive. Since the introduction of the HST, retail trade has increased 5.9% over the same period last year. Department store sales are up 8.1% from April to August. Automobile sales have been the main source of growth in retail sales, up 23.9 from pril to the end end of September. This growth has been supported by favourable financing conditions in addition to the reduction in the sales tax rate.

NOVA SCOTIA

PROVINCE OF NOVA SCOTIA
HONOURABLE WILLIAM GILLIS
Minister of Finance
Released February 12, 1998

1997-98 QUARTERLY REPORT
THIRD QUARTER UPDATE
December 31, 1997

HIGHLIGHTS

In 1998, the Nova Scotia economy is set to achieve its best performance since 1987. The provincial government is now forecasting that improved consumer and business confidence will lead to record levels of employment and economic growth in excess of 3% in 1998. For the 1997-98 fiscal year, the strengthening economy has resulted in more favourable provincial revenues, including sales tax revenues, enabling the government to address the need for more funding in health care and other social needs without affecting the balanced budget.

- Provincial own-source revenues are now forecast to come in at $28.2 million more than the budget estimate. Federal source revenues are expected to be $1.6 million less for the budget year. A favourable Prior Years' Adjustment of $31.3 million has resulted from updated federal data. The overall result is a total increase in revenue of $57.9 million compared to budget estimates.
- Lower than estimated interest rates are helping to reduce expenses. The recent rise in short-term rates was expected and budgeted for. Long term rates continue to be below budget expectations. As a consequence, Net Debt Servicing Costs are being now expected to come in $48.8 million below budget estimate. This forecast is slightly lower than the one made in the Second Quarter Report.
- Some departments and agencies have been able to reduce costs or defer expenses for a saving of $14.3 million. The total favourable decreases in expenditures and increases in revenues since the budget amount to $121.0 million.
- These favourable developments have allowed the Government to make a significant improvement in the health care budget. Spending in this area is now $88.7 million more than originally budgeted. Increases have also been granted to several other departments, and an increased allocation has been made for restructuring costs. These changes represent increases in government spending of $121.8 million.
- The difference between the favourable and unfavourable changes since the budget results in a 1997-98 forecast surplus of $3.2 million.

FISCAL SUMMARY ($ thousands)	**1997-98 Budget**	**1997-98 Forecast**	*Favourable/ (Unfavourable)* **Change from Budget**
Revenue	**4,240,674**	**4,298,573**	**57,899**
Net Program Expenditures *	3,477,912	3,582,397	
Restructuring Costs	31,510	34,505	
Net Debt Servicing Costs	727,280	678,485	48,795
Total Expenditures	**4,236,702**	**4,295,387**	
Budgetary Surplus (Deficit)	**3,972**	**3,186**	

* Net Program Expenditures include both Current and Capital Account Expenditures

SUMMARY of REVENUE

for the Fiscal Year Ending March 31, 1998

($ thousands)

	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	939,079	950,569	11,490
Corporate Income Taxes	113,044	122,548	9,504
Harmonized Sales Tax	668,879	678,801	9,922
Motive Fuel Taxes	199,500	203,000	3,500
NS Liquor Commission	116,693	117,500	807
NS Gaming Corporation	143,024	144,241	1,217
Other Provincial Revenues	351,279	343,037	(8,242)
Total - Provincial Revenue	**2,531,498**	**2,559,696**	**28,198**
Federal Revenue Sources			
Equalization	1,149,788	1,148,158	(1,630)
CHST	437,771	437,488	(283)
Federal Compensation for Harmonization	118,600	118,600	—
Other Federal Sources	3,017	3,292	275
Total - Federal Revenue	**1,709,176**	**1,707,538**	(1,638)
Prior Years' Adjustments	**—**	**31,339**	**31,339**
Total Revenue	**4,240,674**	**4,298,573**	**57,899**

Provincial Revenue

Based on revised income tax data from the federal government, personal income tax revenues are now expected to be $11.5 million higher than estimated at budget time. Corporate income tax revenues are anticipated to come in $9.5 million above the budget estimate. An increase in consumer spending in areas such as retail and auto purchases is now expected to result in sales tax revenues to increase by nearly $10.0 million over the budget estimate.

Federal Revenue

Updated federal data has resulted in a reduction in Equalization of $1.6 million. There has been a decrease in CHST of $0.283 million as a result of strong provincial personal and corporate income tax revenues which offset the gains in CHST from the Second Quarter report.

Prior Years' Adjustments

The latest federal data has created a positive Prior Years' Adjustment of $31.3 million. This is a combination of a net positive adjustment for both own-source income taxes and federal transfers.

SUMMARY of NET PROGRAM EXPENDITURES

for the Fiscal Year Ending March 31, 1998

($ thousands)

	1997-98 Budget	1997-98 Forecast	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	32,102	32,764	(662)
Business and Consumer Services	38,063	35,963	2,100
Community Services	548,245	557,295	(9,050)
Economic Development and Tourism	72,863	76,432	(3,569)
Education and Culture/Universities	954,743	958,866	(4,123)
Environment	18,053	17,175	878
Finance	9,666	9,618	48
Fisheries	6,144	6,503	(359)
Health	1,286,097	1,374,821	(88,724)
Housing and Municipal Affairs	103,263	96,673	6,590
Human Resources	4,032	4,031	1
Justice	75,257	74,881	376
Labour	10,838	10,784	54
Natural Resources	57,299	61,073	(3,774)
Public Service	47,406	49,386	(1,980)
Transportation and Public Works	255,841	262,431	(6,590)
Unallocated Recoveries	(42,050)	(46,293)	4,299
Total - Net Program Expenditures	**3,477,912**	**3,582,397**	(104,485)
Comprised of: Current Account	3,305,270	3,423,865	(118,595)
Capital Account	172,642	158,532	14,110

Net Program Expenditures

In the months following the introduction of the budget, the government has responded to requirements for increased program spending in a number of areas within the context of a balanced budget. The area receiving the most significant increase in funding is health care.

Additional funding has also been allocated to the Department of Community Services to meet demands on income assistance and family and children's services, and to the Department of Natural Resources to support the Sable Gas regulatory process. The expected costs of the Westray prosecution are shown in the extra funding allocated to the Public Prosecution Service under Public Service. Other departments have also been provided additional funding to meet various program requirements.

In addition, although negotiations to sell the Sydney school are continuing, it is no longer certain that the money related to that sale will be recovered in fiscal 1997-98. Accordingly, the provision for that recovery has been removed from this forecast, and the funds continue to be provided for the school.

DEBT MANAGEMENT SUMMARY

Debt Refinancing Program

The Province launched six term debt issues during the third quarter of the year. Four issues, totaling $121.5 million, were completed in the Canadian domestic mid term note market, and another $300.0 million issue was in the Canadian domestic long term debenture market. Another $100.0 million issue was completed by a Canadian private placement for a total of $521.5 million in the third quarter. In the previous two quarters, borrowings totaled $175.0 million. Subsequent to the end of the third quarter, the Province completed additional borrowings of $311.0 million, for a total of $1,007.5 million to date in fiscal 1997-98.

The total forecasted refinancing program of the Province has now been adjusted to $1.2 billion from the original $636.0 million.

Net Debt Servicing Costs

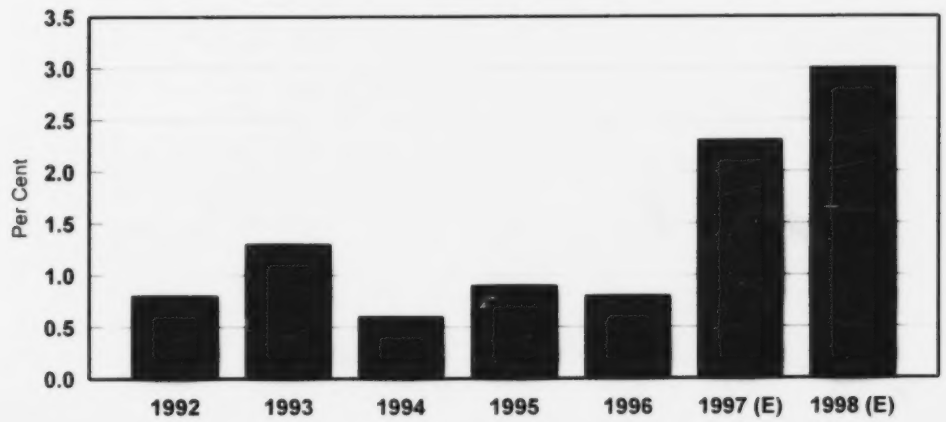
Net Debt Servicing Costs are now forecast to be $48.8 million lower than budgeted. This favourable development is slightly less than the forecast in the Second Quarterly Report, when the reduction was expected to be $50.5 million lower than budget. The current reduction is a result of revisions to modeling assumptions, favourable market conditions, including lower than expected interest and foreign exchange rates in the first three quarters ($21.6 million), the expectation that these conditions will continue to be favorable compared to original budget assumptions for the final quarter ($17.6 million), and the expectation that NSRL will continue to record its own debt servicing costs ($9.6 million).

ECONOMIC DEVELOPMENTS

(January - December 1997)

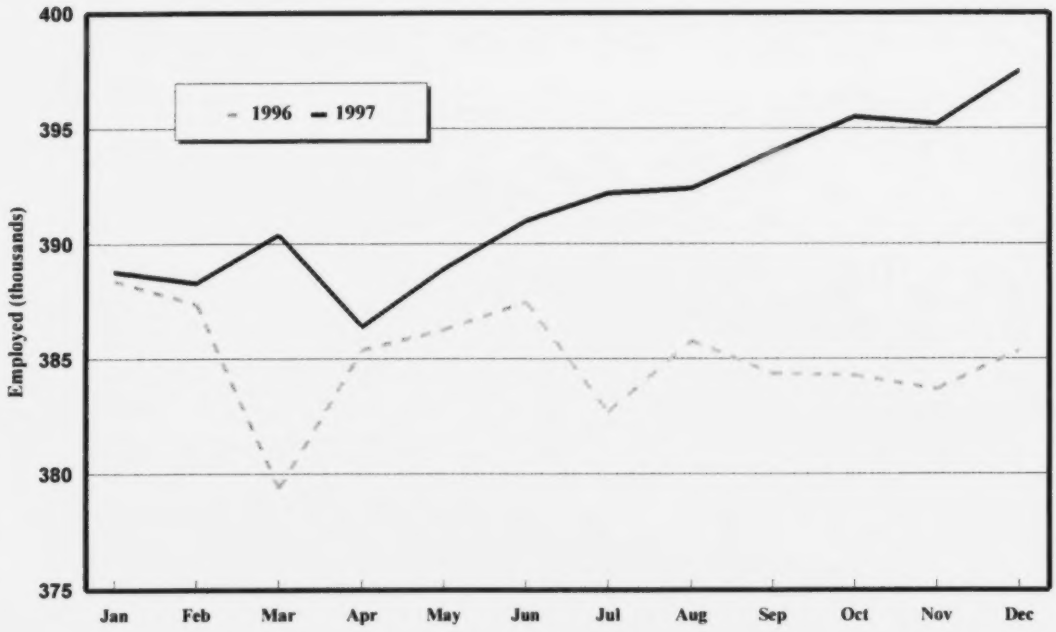
The economies of both Canada and Nova Scotia show continued strength throughout 1997. The Nova Scotia economy has outperformed both the RDP and the employment growth forecast in the 1997-98 budget. In 1998, development of the Sable Offshore Energy Project will be in full swing, further accelerating the level of business investment that has been occurring in the province over the past two years. This will be the largest single project in the province's history. It will be a significant factor in increasing RDP growth to the 3.0% range in 1998 and for the first time more than 400,000 people will be working in Nova Scotia.

Nova Scotia Economic Growth
RDP (Constant $)



A record number of Nova Scotians had jobs in 1997. Employment was up 1.8%, averaging 391,900 for the year. Job gains were recorded chiefly in manufacturing, construction and government services. This pace of job creation helped push the unemployment rate down to 12.2%, below the budget outlook of 12.9%. In the last half of 1997, the rate remained in the narrow range between 11.5% and 11.7%. Since February 1997, the unemployment rate has dropped from 13.5% to 11.2% in January 1998. Moreover, Nova Scotia's unemployment rate has been the lowest in Atlantic Canada since March 1997.

Employment by Month - Nova Scotia



The total value of all wages and salaries has increased by 4.0% in the first nine months of 1997. This is above the underlying budget forecast for growth in labour income, due to the stronger than forecast employment growth.

Solid employment and income growth, the introduction of the HST, and an improvement in the confidence of Nova Scotians had a positive effect on retail sales in 1997. For the year, retail sales posted an estimated growth of 4.7% (based on a 10 month average). Vehicle sales growth has surged by close to 20% in 1997. Department store sales were also strong, up 7.7%.

For December 1997, CPI increased 0.7%, year over year. Inflation continues to be under control as the increase since April 1, 1997 has been only 0.4%.

In 1997, exports are down 1.9% after seven consecutive years of growth in dollar value. The decrease is due mainly to lower pulp and paper prices. With the recent collapse in Asian economies and pulp and newsprint prices still relatively weak, it is unlikely that the budget forecast for export value will be met. However, the volume of cargo traffic remains strong. For example, container tonnage shipped through the Port of Halifax was up 20% in 1997.

As the province enters 1998, Nova Scotia's economic outlook is the best in more than a decade with new records expected in investment and jobs.

NOVA SCOTIA

PROVINCE OF NOVA SCOTIA
HONOURABLE DONALD R. DOWNE
Minister of Finance
Released July 31, 1998

FINAL UPDATE
FISCAL 1997-98
March 31, 1998

HIGHLIGHTS

- The province ended the financial year with it's first back-to-back surpluses in a generation.
- Provincial current own-sources revenue increased by $84.4 million from the original estimates. In addition there were Prior Years' Adjustments on provincial own-source revenue that added $5.9 million for a total of $90.3 million.
- This was augmented by an increase in federal revenues and an increase in federal source Prior Years' Adjustments for an increase in total federal source revenues of $115.8 million.
- Net Debt Servicing Costs, including an increase in Sinking Fund Earnings ended up being $61.9 million less than estimate.
- The combination of lower costs and higher revenues provided for increased social program expenditures and created a surplus that was larger than estimated and forecast.
- The Budgetary Surplus amounted to $38.5 million before distribution of surplus for the HST Electricity Rebate to residential electrical consumers.
- The Retained Budgetary Surplus of $28.5 million and the improvement in the financial performance of the pension funds more than offset an increase in the deficiencies of certain crown corporations. As a result the Province's Net Direct Debt declined by $219.4 million.

FISCAL SUMMARY ($ thousands)	**1997-98 Budget**	**1997-98 Actual**	Favourable/ (Unfavourable) **Change from Budget**
Revenue	**4,240,674**	**4,446,761**	**206,087**
Net Program Expenditures *	3,477,912	3,688,585	
Restructuring Costs	31,510	54,267	
Net Debt Servicing Costs	727,280	665,413	61,867
Total Expenditures	**4,236,702**	**4,408,265**	
Budgetary Surplus (Deficit)	**3,972**	**38,496**	**34,524**

* Net Program Expenditures include both Current and Capital Account Expenditures

NOVA SCOTIA

FINAL UPDATE
FISCAL 1997-98
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SUMMARY of REVENUE

for the Fiscal Year Ending March 31, 1998

($ thousands)

	1997-98 Budget	1997-98 Actual	Favourable/ (Unfavourable) Change from Budget
Provincial Revenue Sources			
Personal Income Taxes	939,079	997,562	58,483
Corporate Income Taxes	113,044	121,682	8,638
Harmonized Sales Tax	668,879	716,656	47,777
Motive Fuel Taxes	199,500	204,114	4,614
NS Liquor Commission	116,693	118,477	1,784
NS Gaming Corporation	143,024	141,172	(1,852)
Other Provincial Revenues	351,279	316,212	(35,067)
Total - Provincial Revenue	**2,531,498**	**2,615,875**	**84,377**
Federal Revenue Sources			
Equalization	1,149,788	1,194,359	44,571
CHST	437,771	438,669	898
Federal Compensation for Harmonization	118,600	118,600	---
Other Federal Sources	3,017	3,296	279
Total - Federal Revenue	**1,709,176**	**1,754,924**	**45,748**
Prior Years' Adjustments	**---**	**75,962**	**75,962**
Total Revenue	**4,240,674**	**4,446,761**	**206,087**

Provincial Revenue

Total provincial own-source revenue for 1997-98 increased by $84.4 million to $2,615.9 million from $2,531.5 million in the budget estimate. Within this change was a significant increase in income taxes, in the amount of $67.1 million and an increase in all sales taxes due to increased economic activity in the amount of $52.4 million. These increases were offset by a reduction $35.1 million in other provincial revenues. In addition to the current year's increase in provincial own-source revenues, there was an increase in the amount of $5.9 million for provincial own-source revenues in Prior Year's Adjustments for a total increase of $90.3 million.

Federal Revenue

Equalization Payments increased in the amount of $44.6 million. Other minor adjustments brought the increase in current federal source revenues to $45.7 million. In addition, the federal source revenues from Prior Years' Adjustments was $70.1 million which brings the total actual change in federal source revenues from the original budget estimate to $115.8 million.

NOVA SCOTIA

FISCAL 1997-98
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SUMMARY of NET PROGRAM EXPENDITURES

for the Fiscal Year Ending March 31, 1998

($ thousands)

	1997-98 Budget	1997-98 Actual	Favourable/ (Unfavourable) Change from Budget
Agriculture and Marketing	32,102	33,480	(1,378)
Business and Consumer Services	38,063	38,565	(502)
Community Services	548,245	556,825	(8,580)
Economic Development and Tourism	72,863	86,931	(14,068)
Education and Culture/Universities	954,743	954,629	114
Environment	18,053	17,019	1,034
Finance	9,666	9,430	236
Fisheries	6,144	6,355	(211)
Health	1,286,097	1,426,686	(140,589)
Housing and Municipal Affairs	103,263	96,864	6,399
Human Resources	4,032	4,003	29
Justice	75,257	75,257	---
Labour	10,838	24,145	(13,307)
Natural Resources	57,299	59,528	(2,229)
Public Service	47,406	55,822	(8,416)
Transportation and Public Works	255,841	263,180	(7,339)
Unallocated Recoveries	(2,000)	(23,134)	21,466
Total - Net Program Expenditures	**3,477,912**	**3,688,585**	(210,673)

Comprised of:	Current Account	3,305,270	3,526,516	(221,246)
	Capital Account	172,642	162,069	10,573

Net Program Expenditures

Net Program Expenditures (Current and Capital) are $233.4 million more than estimated at the beginning of the fiscal year. The majority of the extra expenditures went to the area of health care. An additional $140.6 million was allocated to health care for improvements in many areas including regional health services, doctor's services, home care and pharmacare. Accounting adjustments to realize the full extent of outstanding liabilities was responsible for a $13.3 million increase in the Department of Labour. A similar issue with respect to the provision for a write down of an industrial development loan was the major factor in a $14.1 million increase in the budget for Economic Development and Tourism. Community Services continued to face pressures to meet the needs of children and family services. As a result its spending increased by $8.6 million. In addition the cost of by-elections and the general election was the main cause of the $8.4 million increase the budgets of the Public Service appropriations. Transportation and Public Works increased it's budget by $7.4 million. The largest single factor in that area was a series of unexpected late winter storms.

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DEBT MANAGEMENT SUMMARY

Debt Refinancing Program

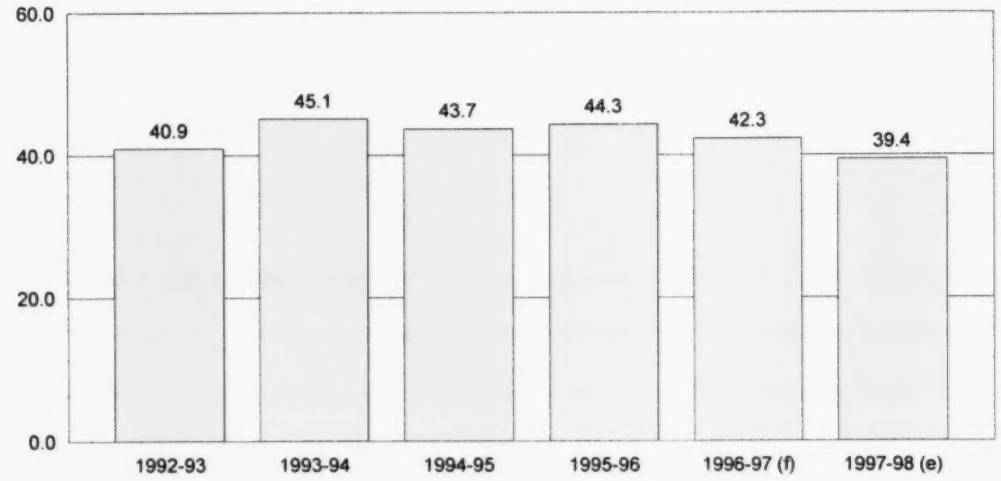
As a result of a favourable interest climate for much of 1997-98, the province embarked upon one of the largest refinancing efforts in it's history. A total of $1.8 billion was raised to pay off debt that was maturing or had been called early and to contribute to its sinking fund for the future repayment of debt.

Net Debt Servicing Costs

Debt servicing costs were $57.4 million lower than the original budget estimate. This was largely due to lower than estimated interest rates through much of 1997-98. The province was also able to obtain a better than estimated return on Sinking Fund Earnings for an additional $4.5 million in revenue. As a result, the Net Debt Servicing costs declined by $61.9 million.

Net Direct Debt as a Percentage of Gross Domestic Product

(per cent)



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